

Message Text

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ACTION EA-09

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 8557

C O N F I D E N T I A L KUALA LUMPUR 5411

E.O. 11652: GDS

TAGS: PGOV, MY

SUBJECT: MY CONVERSATION WITH DEPUTY PRIME MINISTER

REF: KUALA LUMPUR 4375

1. AFTER ITS EARLIER POSTPONEMENT (REFTEL) I PAID MY INITIAL CALL ON DEPUTY PRIME MINISTER MAHATHIR AUGUST 13. I OPENED THE CONVERSATION BY SAYING I WOULD WELCOME HIS ASSESSMENT OF HIS RECENT TRIP TO THE U.S. I REFERRED TO LOCAL PRESS ACCOUNTS OF HIS STATEMENTS ON RETURNING HOME REGARDING THE PROSPECTS FOR NEW AMERICAN INVESTMENT, NOTING THAT THE FIGURE OF M\$2 BILLION (US\$800 MILLION) HAD BEEN MENTIONED.

2. MAHATHIR EXPRESSED SATISFACTION WITH HIS TRIP. HE SAID HE HAD MET WITH BUSINESS GROUPS IN NEW YORK, CHICAGO AND SAN FRANCISCO, ALTHOUGH THE NEW YORK BLACKOUT HAD CURTAILED HIS DISCUSSIONS THERE. IN LIGHT OF HIS DISCUSSIONS, IT APPEARED THAT THE LARGEST PROSPECTIVE INVESTMENT PLANS WERE BEING ACTIVELY PURSUED BY REYNOLDS METAL, AND BY UTAH MINING. MAHATHIR CONFIRMED THAT REYNOLDS IS ACTIVELY CONSIDERING SETTING UP A REFINING AND SMELTING OPERATION IN EITHER EAST MALAYSIA (SARAWAK) OR IN TRENGGANU (PENINSULAR MALAYSIA'S EAST COAST), TAKING ADVANTAGE OF THE DEVELOPMENT OF MALAYSIA'S LARGE RESERVES OF NATURAL GAS IN SARAWAK. MAHATHIR
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SAID REYNOLDS' POTENTIAL INVESTMENT IN THIS SCHEME WAS ESTIMATED AT M\$600 MILLION (US\$240 MILLION) ALTHOUGH HE NOTED THAT LNG WOULD NOT BE AVAILABLE IN QUANTITY UNTIL ABOUT 1982. (FYI. MOST EXPORTS NOW BELIEVE EARLIEST OPERATIONAL DATE TO BE 1983.) HE SAID THAT ONCE MALAYSIA'S LNG PRODUCTION WAS IN FULL SWING IT WAS ESTIMATED THAT THERE WOULD BE MORE THAN ENOUGH TO MEET JAPAN'S NEEDS AND TO FULFILL REYNOLDS' REQUIREMENTS.

3. REGARDING UTAH MINING, MAHATHIR SAID ITS INVESTMENT PLANS, IF CARRIED OUT, COULD AMOUNT TO M\$1 BILLION (US\$400 MILLION). HE SAID UTAH MINING WAS INTERESTED IN DEVELOPING SARAWAK'S COKING COAL POTENTIAL RELATED TO ITS OPERATIONS IN AUSTRALIA, AND THAT UTAH MINING'S PLANS FOR SARAWAK INCLUDING ROADS AND PORT FACILITIES IN ADDITION TO COAL MINE INSTALLATIONS THEMSELVES.

4. MAHATHIR MENTIONED THAT MONTSANTO CHEMICAL ALSO HAS DEFINITE PLANS TO EXPAND ITS FACILITIES HERE, AND THAT UNIROYAL AND GALANIS SHIPPING CO. ARE BOTH ACTIVELY STUDYING POTENTIAL INVESTMENT POSSIBILITIES IN MALAYSIA. HE SAID GALANIS IS INTERESTED IN JOINING WITH MALAYSIAN SHIPPING INTERESTS TO OPEN A SHIPPING LINE TO U.S. WEST COAST PORTS. BECAUSE OF ALL THESE POSSIBILITIES, MAHATHIR SAID, HE HAD MENTIONED TO THE PRESS THE FIGURE OF M\$2 BILLION (US\$800 MILLION) POTENTIAL NEW U.S. INVESTMENT.

5. IN RESPONSE TO MY QUESTIONS, MAHATHIR SAID AMERICAN COMPANIES NO LONGER APPEAR TO BE CONCERNED THAT THE INDUSTRIAL COORDINATION ACT AND THE PETROLEUM ACT WOULD ADVERSELY AFFECT THEIR INVESTMENT PLANS, ALTHOUGH SOME OF THEM COMPLAINED ABOUT THE ACTIONS OF OVER-ZEALOUS LOWER LEVEL OFFICIALS IN IMPLEMENTING THESE ACTS. ACCORDING TO MAHATHIR, THERE APPEARED TO BE MORE CONCERN, PARTICULARLY ON THE PART OF UTAH MINING, ABOUT THE ISSUE OF INTERNATIONAL ARBITRATION
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OF DIFFERENCES WITH GOM AND SARAWAK AUTHORITIES. AMERICAN COMPANIES, MAHATHIR SAID, TENDED TO FAVOR BINDING DECISIONS BY INTERNATIONAL ARBITRATORS FROM THE INTERNATIONAL BUSINESS COMMUNITY. THE GOM COULD ACCEPT INTERNATIONAL ARBITRATORS SELECTED BY BOTH SIDES TO A DISPUTE, BUT INSISTED THAT THE PROVISIONS OF LOCAL LAW BE OBSERVED. MAHATHIR SAID THE GOM WOULD DISCUSS THIS POTENTIAL PROBLEM WITH THE SARAWAK AUTHORITIES TO SEE WHAT COULD BE WORKED OUT.

6. IN ANSWER TO MY QUESTION, MAHATHIR SAW NO ASEAN TIE-IN WITH THESE POTENTIAL INVESTMENT PROSPECTS. HE CHARACTERIZED THEM AS NATIONAL, AND THOUGHT MALAYSIA'S ASEAN PARTNERS WOULD HAVE NO REASON TO OBJECT TO THEM.

7. MAHATHIR MENTIONED BRIEFLY HIS WASHINGTON STAY, AND EXPRESSED SATISFACTION WITH HIS CONVERSATION WITH THE SECRETARY, INCLUDING THE FACT THAT IT LASTED FAR LONGER THAN HAD BEEN SCHEDULED. HE SAID HE THOUGHT THE CARTER ADMINISTRATION'S POLICY REGARDING ASIA WAS NOW CLEARER, AS A RESULT OF THE SECRETARY'S ASIA SOCIETY SPEECH, AS WAS ITS POLICY ON HUMAN RIGHTS AS SET FORTH IN THE SECRETARY'S EARLIER ATLANTA SPEECH. REGARDING HUMAN RIGHTS, MAHATHIR OBSERVED THAT,

IN ADDITION TO THE CONCEPT OF INDIVIDUAL RIGHTS, THE
CONCEPT OF THE RIGHT OF THE COMMUNITY TO BE FREE FROM THE
THREAT OF SUBVERSION AND INTIMIDATION WAS BECOMING IN-
CREASINGLY ACCEPTED (HE IMPLIED BY THE U.S.) HE NOTED THAT
MALAYSIA'S SITUATION LED IT TO ATTACH IMPORTANCE TO THE
LATTER CONCEPT.
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